

Shopping with Uncle Sam

Arguably the most influential retail market in the world, yet previously very inward looking, the US has now opened up to the world. Mark Faithfull looks at how its chains, consumers and concepts continue to shape the global picture

TIME was when just about every major retail innovation came from North America. The US exported the automation, franchising and consumerism that informs much of current retail thinking. And when the new generation of pure players came along, the US exported those too, most notably Amazon and eBay. Yet over the past decade, the flow of retail has become a two-way street and Europe's fast-fashion retailers have had a huge impact on the US' domestic retail landscape.

Meanwhile, overseas equity has crept into mall and main-street investment and China's Alibaba completed its record-breaking IPO on the New York Stock Exchange. Little wonder, too, that when the US' infamously spendthrift shoppers kept their wallets in their pockets following the 2008 financial crisis, the retailing slowdown swept across the world. Seven years on and, encouragingly, American consumers are well and truly back, having increased their spending in September, providing support to the US economy.

Sales at retailers and restaurants rose a seasonally adjusted 0.1% in September from August, according to US Department of Commerce. Overall, retail sales have not fallen since January, suggesting that the lower fuel prices have given Americans a bit more discretionary cash and personal spending. The measure of how much Americans paid for everything from home appliances to healthcare rose 0.4% in August from a month earlier. That upbeat consumer mood is reflected in retail real estate, with investment beyond >>

>> the key retail cities around the country as investors go in search of growth and new opportunities.

"We've seen the investment market open up to what I would call 'tier 1.5 cities' as investors go in search of yield," says Alexandra Bryant, New York-based managing director of JLL's Americas Capital Markets & International Capital Group. "So after the last 18 months, we've seen a lot of activity in New York, Los Angeles, San Francisco, Boston and Chicago. As the yield has come in, now we have seen more interest in Miami, Dallas and those cities that have robust fundamentals and are really benefiting from the re-urbanisation of the US, with thirtysomethings staying in the cities rather than moving out." Bryant adds: "What we are also noting is the wider spread of money. So we have European investment, especially some of the

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Alexandra Bryant

German funds, active again. Plus Australian-Super and Singapore's GIC have been active. And obviously there are the domestic REITs. In terms of liquidity, much of the movement is coming from investors selling down minority stakes and partial interest sales. For portfolio deals, it's often a case of partnering with a local business."

Competition is hot for good quality product, however, and many investors have focused on their niches. Melissa Gliatta, executive vice-president of Thor Equities, says: "From our perspective, there's a lot of strength in the market both for luxury retail and premium high street. The focus is really about getting the tenant mix right and ensuring that tenant placement works well for the retailer and the scheme. We spent a lot of time as retailers before we worked in real estate

PROJECTS

Dania Pointe, Dania Beach, Florida (Kimco)

DANIA Pointe is a 40 ha premier mixed-use development with 100,000 sq m of retail and restaurants in addition to class-A offices, hotels, luxury apartments and public event space.

Dania Pointe's accessibility from Interstate 95 and immediate proximity to the Fort Lauderdale-Hollywood International Airport, Port Everglades Cruise Port and the DCOTA design centre make it an attractive retail destination in Broward County.

The shops at Dania Pointe will consist of a sophisticated mix of shopping, dining and entertainment venues, which will appeal to the one million-plus consumers living in the surrounding trade area, as well as the projected 15 million domestic and international tourists expected to visit Broward County in 2015.



The Kirby Collection, Houston, Texas (Thor Equities)

THE KIRBY Collection is a new luxury mixed-use development in the prestigious River Oaks neighbourhood of Houston, Texas. Scheduled to open in the fourth quarter of 2017, the 100,000 sq m residential, office, retail and entertainment project features two levels of prime retail space totalling 6,000 sq m that will be home to first-class restaurants, nightlife and world-class shopping.

A 25-storey, 36,000 sq m residential tower will house 199 apartments, including seven two-storey townhomes and seven two-storey loft spaces with private yards. The penthouse level will feature a Skyview Suite available to all residents, offering a chef's kitchen and panoramic views of the Houston skyline. In addition, the Kirby Collection's 13-storey, 20,000 sq m class-A office building is in close proximity to four of the city's largest employment hubs.

The Kirby Collection blends classic and contemporary design, offering luxury and convenience for those who choose to live, work and play in the same location.



and we feel we really understand what they need and their perspective.”

She adds: “As a business, we feel we know our position in the market. We are interested in those locations where we can add value and we are very selective in what we look for. Retail property is a busy business and we’re always looking at opportunities. But of course, there is a lot of competition for prime

positions and so I think you also have to understand that not every deal is for you either.”

Another company to have refined its niche and to have reviewed the new dynamics of the market is Acadia. Christopher Conlon, executive vice-president and chief operating officer of Acadia Realty Trust, says: “Up until five or so years ago, we were very much focused on the suburban market. But we have

changed our strategy and, although we remain actively involved in suburban malls, we now focus on urban schemes because of the demographic shift. That applies to both our asset-management funds, where we buy, improve and sell, and to our long-term holdings.” Acadia has also branched out geographically. “We have so far focused on a number of areas including New York, Boston, Washing- >>

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City Point, Brooklyn, New York (Acadia Realty Trust)

SET TO open in the heart of downtown Brooklyn in autumn 2016, City Point is a 170,000 sq m mixed-use development of new construction, including retail, residential, entertainment and office space. The centre, which is anchored by Century 21 Department Store, CityTarget and Alamo Drafthouse Cinema, will include the best of Brooklyn’s food purveyors. It aims to create an authentic experience and gathering place for Brooklynites.

City Point’s iconic design will anchor the thriving academic, residential and commercial communities in Downtown Brooklyn. It is owned and is being developed by Acadia Realty Trust, one of the shopping-centre industry’s top-performing REITs.

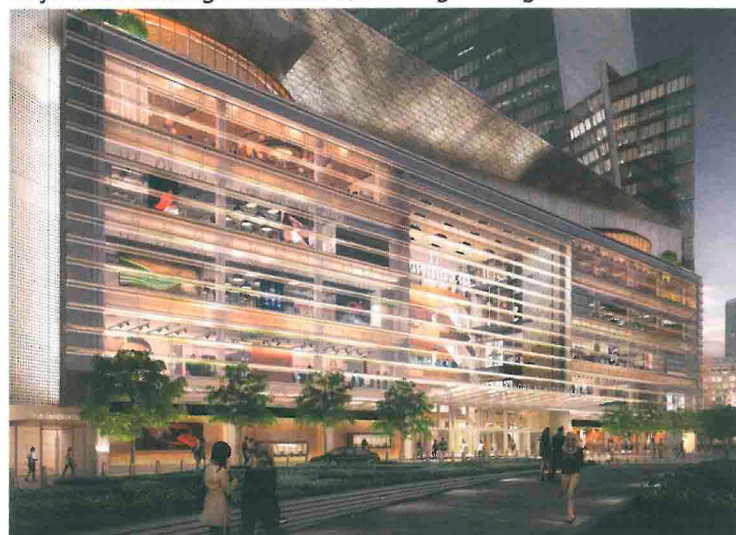


Hudson Yards, New York (Related Companies)

AT THE epicentre of Manhattan’s New West Side, Hudson Yards is the largest private real estate development in the history of the US and the largest development in New York City since Rockefeller Center. The site, anticipated to host 24 million visitors each year, will ultimately include more than 1.5 million sq m of commercial and residential space, five state-of-the-art office towers, 100-plus shops, a collection of restaurants, approximately 5,000 residences, 5.7 ha of public open space and an Equinox-branded luxury hotel.

Hudson Yards will feature seven levels of cutting-edge shopping, offering a mix of fashion brands. A three-level Neiman Marcus — the first ever in New York City — will anchor the 93,000 sq m Shops at Hudson Yards. The Restaurants at Hudson Yards will offer an array of international cuisine amid stunning surroundings.

With easy access to the High Line, Public Square and Culture Shed, the Shops & Restaurants at Hudson Yards promise to be one of New York City’s most enticing destinations, morning and night.



>> ton DC, Miami, Chicago and San Francisco," Conlon adds. "We are also widening that investment out to further cities, so long as we like the location and the demographics. That's leading us to deal with a lot of new retailers and to have some in-depth conversations about how they see the future and their own portfolios. It's those relationships that MAPIC really helps us to build."

Those further cities include Miami Beach and Savannah, while areas such as the Bowery in New York, Winward in Florida and Chicago's West Loop are also of interest. Meanwhile, the company's biggest project to date is City Point in the super-cool New York borough of Brooklyn. City Point is a 170,000 sq m mixed-use development that includes retail, residential, entertainment and office space. The centre, which is anchored by Century 21 Department Store, CityTarget and Alamo Drafthouse Cinema, will include the best of Brooklyn's food purveyors, creating "an authentic experience and gathering place for Brooklynites".

FEDERATED BUYS INTO MIAMI

FEDERAL Realty Investment Trust has acquired an 80% interest in CocoWalk, a 198,000 sq ft (18,394 sq m) lifestyle centre in Miami, Florida's Coconut Grove neighbourhood, for a total value of \$87.5m. The Trust acquired the property with local market partners Grass River Property and The Comras Company.

The centre is situated at the prominent intersection of Main Highway, McFarlane Road and Grand Avenue. "CocoWalk is the focal point of Coconut Grove's historic village centre, a short walk from Biscayne Bay and some of

Miami's most prominent residential neighbourhoods," says Jim Taylor, executive vice-president, and chief financial officer and treasurer of Federal Realty Investment Trust. "Surrounded by new residential towers, hotels, offices, schools, parks and marinas, CocoWalk's tenants serve more than 150,000 Coconut Grove residents and millions of visitors each year. Partnering with neighbourhood experts, we see significant opportunity to transform and remerchandise a property at the centre of Miami's most authentic district."

This is in part reflective of the changes that e-commerce are thrusting upon real estate markets. "In an omni-channel age, these urban touch points are becoming incredibly important

for retailers," Conlon says. "We're looking at those locations where retailers can reach the consumers while also creating a platform for them to open across a number of sites across

PROJECTS

The Boulevard, Staten Island, New York (Kimco)

KIMCO has recognised the potential of Staten Island and is in the process of transforming the already ideally located Hylan Plaza into a shopping centre befitting this growing borough. It will become The Boulevard and serve as the premier downtown hub on the Hylan Boulevard commercial corridor.

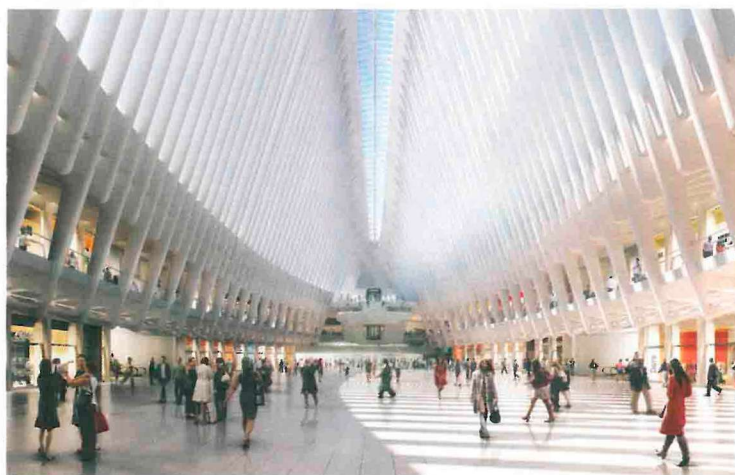
With its unbeatable location, the centre is easily accessible from all parts of the island. To take it to the next level, Hylan Plaza is undergoing a transformation. The Boulevard will be a newly constructed, multi-storey lifestyle centre providing a Main Street shopping experience. The seamlessly connected mix of fashion, necessities, restaurants, entertainment and lively sidewalk activity is sure to draw crowds.



Westfield World Trade Center, New York (Westfield)

WESTFIELD World Trade Center is designed to be an iconic destination that speaks to New Yorkers and redefines the Lower Manhattan experience. It will transform 320,000 sq m of space into a fashion, culinary and artistic hub that includes a dynamic mix of 150 local and global brands and unique dining opportunities.

Westfield World Trade Center will serve a diverse community with New York-centric services and amenities, must-see events, state-of-the-art digital technology and extraordinary culture and entertainment. Located in and around the Oculus, designed by renowned architect Santiago Calatrava, it will include a multi-level store presence in 3 World Trade Center and 4 World Trade Center.



the country if they want, which means increasing our geographical spread."

Bryant adds that polarisation is prevalent but that, with such fierce competition, investors are now looking beyond prime. "As in most markets, a lot has been made of the death of secondary," she says. "But as prices have softened, there are opportunities, although there remains a lot of caution around such assets. The key is whether the fundamentals support a scheme, such as demographics, employment and location."

Of course, it is not only about the US. Thor is one of those US businesses that has spread its wings beyond its domestic market. "We've been active in the US but also, increasingly, in Europe and we'll look at opportunities wherever they feel right," Gliatta says. "I would say we are very open but also very focused. That's where MAPIC has really come in for us, because we have a lot of very high-quality meetings." ■

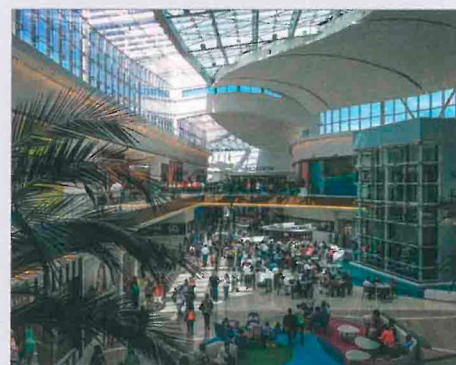
MORE FROM MALL OF SAN JUAN

IN SEPTEMBER, The Mall of San Juan announced 18 new stores, including Puerto Rico's only Williams-Sonoma and Pottery Barn, along with luxury brands Bulgari and Gustavo Arango, and the 100th Oil & Vinegar store. This summer, the mall also welcomed Burger & Beer Joint, Carmen Steffens, Hollister, Melissa Shoes, Swarovski, Tommy Bahama and Zara.

"Our line-up of premium retailers and restaurants will become even more distinctive," says Marnie Marquina, marketing and sponsorship director of The Mall of San Juan. "From talented Puerto Rican designers to stores exclusive to the island, we're excited

to offer our customers a truly unique shopping and dining experience."

Since the centre's grand opening on March 26, more than 45 stores have opened at The Mall of San Juan, including the first Saks Fifth Avenue and Nordstrom in the Caribbean.



Empire Outlets, New York (Casandra Properties)

Empire Outlets will be New York City's first outlet shopping destination and will form the new retail centerpiece to Destination St George, steps from the Staten Island Ferry Terminal. This project will be the a free ferry ride from Manhattan and will provide value shopping, great food and a hip, waterfront atmosphere. Empire Outlets will include a 190-room boutique hotel with a 20,000 sq ft ballroom/event space, 1,250 parking spaces, 330,000 sq ft of leasable space – of which 30,000 sq ft is allocated to food and beverage – and 5,000 sq ft of rooftop event space.



The Broughton Street Collection, Savannah (Acadia Realty Trust)

THE BROUGHTON Street Collection is a mixed-use redevelopment project encompassing retail, restaurants, residential and office uses in the heart of downtown Savannah. Broughton Street is steeped in beautiful architecture with historic buildings dating back to the late 1800s. It is a destination where 14 million annual visitors and local families alike can spend the day shopping, dining and taking in the history. The project encompasses more than 20,900 sq m of street-level retail, representing approximately 65% of the total inventory on the thoroughfare. The mix includes 3,700 sq m of planned restaurant use with options for rooftop and multi-level space. And second- and third-floor office space will feature exposed brick walls, 3.7 m ceiling heights and beautifully restored wood flooring. The Broughton Street Collection also features 20 residential lofts. The one- and two-bedroom units showcase a style and sophistication that is unique in historic Savannah.

